

Fiscal Note

Fiscal Services Division



HF 225 – Geothermal Energy System Franchise Tax Credit (LSB1666YH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New
Requested by Representative Dave Jacoby

Description

House File 225 creates a franchise tax credit for the installation of a geothermal energy system. The new credit is equal to 60.0% of the federal business energy investment tax credit received for the same geothermal installation. The new tax credit is not refundable but any unredeemed portion may be carried forward for the next 10 tax years or until depleted. The Bill is effective on enactment and applies retroactively to tax year 2015.

Background

The Iowa franchise tax applies to Iowa banks at a rate of 5.0% of net income. Iowa banks do not pay Iowa corporate income tax.

The federal corporate tax credit for installation of geothermal systems is equal to 10.0% of allowed installation costs. If Iowa creates a State credit of 60.0% of the federal credit, the Iowa credit will cover 6.0% of allowed installation costs. The federal corporate energy tax credit for geothermal heat systems expires December 31, 2016. The credit for geothermal systems that produce electricity does not expire.

Iowa currently has a residential geothermal tax credit available to individual income tax taxpayers. That credit is equal to 20.0% of the federal residential tax credit. The federal tax credit for residential geothermal system installation is equal to 30.0% of allowed installation costs. Therefore, the Iowa credit is equal to 6.0% of the allowed installation costs. The federal tax credit is set to expire December 31, 2016.

Fiscal Impact

The creation of a geothermal energy system tax credit for banks is expected to decrease net General Fund revenue by \$28,000 each year in FY 2016 and FY 2017. Should the U.S. Congress extend the current federal corporate credit for geothermal heat systems beyond December 31, 2016, the fiscal impact to the State General Fund will continue beyond FY 2017.

Source

Department of Revenue

/s/ Holly M. Lyons

March 27, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
